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ABSTRACTS OF PAPERS AND DISCUSSIONS.

PRESIDENT'S ADDRESS.

THE MODERN APPEAL TO LEGAL FORCES IN ECONOMIC LIFE.

BY PROFESSOR JOHN B. CLARK, PH.D., AMHERST COLLEGE.

Two movements born of discontent are in progress. Anarchism assails the state; socialism attacks the industrial system and appeals to the state. The motive of the appeal is a belief that laborers are robbed by the natural working of economic laws. Is an appeal to legal forces, as against natural economic forces, called for? Should not the state aim to perfect the industrial system according to the plan on which development is proceeding?

Economic theory shows that free competition tends to secure an honest distribution of wealth. If a man were living in isolation, his income would consist in the literal things that he could produce. It would be an honest income. Exchanges disguise the modern relation of incomes to products. A man no longer keeps the literal thing that he makes. What he does keep, however, if competition works perfectly, is the value, or the quantity of wealth, that he creates.

In a factory that employs a thousand men let us leave the amount of capital unchanged, but add a few men to the working force. The men thus added represent a definite increase in the output of the mill. It produces a hundred yards of cloth per day, in addition to its former output; and if so, the value of this extra pro-

duct, minus the cost of materials, measures the productive power of labor apart from capital.

More than the value created by making a hundred yards of cloth the employer cannot pay to the new men as wages; if he pays more he incurs a loss. As much as this he is obliged to pay if competition exists.

All through the industrial field tests are going on that show how large the product is that can be attributed to labor only. Wages tend to conform to that product. They are fixed by the specific productivity of social labor.

Is there, at present, enough of competition to ensure this result? Wages are adjusted largely by strikes, actual or potential. Does a test of endurance between employer and employed appeal in any way to the productivity of social labor as a standard of wages? Yes, because, if men demand much more than this, they cannot get it. Their places will be filled by men taken from other points in the field. If they demand less, they get what they claim. A strike directly appeals to the natural standard of wages.

A monopoly aims to reduce its output of goods, and to increase its prices. If it succeeds, it crowds too much labor into industries in which competition is free. It mislocates labor, and reduces its productivity and pay. Is not the world full of monopolies, and are not wages thereby reduced?

Trusts are held somewhat in check by the fact that they cannot greatly raise prices without causing new competitors to appear. If this check were efficient enough, they would not depress wages; since that is done only by mislocating labor, and this, again, is due to curtailing production.

The line of cleavage that separates a socialistic policy

from a natural policy now appears. Compulsory arbitration would adjust wages in a way that would depart more or less from the standard set by the productivity of labor. Voluntary arbitration has to conform to that standard. Fixing by law the prices of goods produced by trusts would introduce an arbitrary element into distribution. Keeping the field open for new competitors, and in this natural way holding the exactions of trusts in check, would make distribution normal.

A policy is open to us that, at every step, liberates natural economic forces, and tends to make the system of industry honest, productive and even democratic. It increases the productive power, and, therefore, the pay of laborers. We take no apologetic tone in defending this system. Evil comes through the perversion of it, and good is inherent in it. Whether we shall retain this system or not is not an open question. We shall have to retain it. Society feels its way by experiments; and while a few measures that look socialistic may be retained, those that, by the test here used, are really socialistic are sure to be abandoned. In the end legal forces must coöperate with natural economic forces. They will make competition normal and free. For the sake of men now living let this harmonious action begin at once.